

# BMO REP PROPERTY MANAGEMENT LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

(Registered Number 08198483)

for the year ended 31 October 2019

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# **BMO REP PROPERTY MANAGEMENT LIMITED**

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## **DIRECTORS AND ADVISERS**

**Registered number:** 08198483

**Directors:**

(appointed 15 May 2019) S BENNETT  
R KIRBY  
(resigned 16 January 2020) D SLOPER  
(appointed 3 March 2020) N O'MAHONY

**Company secretary:**

W T CLARKE  
95 QUEEN VICTORIA STREET  
LONDON  
EC4V 4HG

**Registered office:**

5<sup>th</sup> FLOOR  
7 SEYMOUR STREET  
LONDON  
W1H 7JW

**Auditor:**

KPMG LLP  
15 CANADA SQUARE  
CANARY WHARF  
LONDON  
E14 5GL

# BMO REP PROPERTY MANAGEMENT LIMITED

## STRATEGIC REPORT

The Directors present their Strategic Report on BMO REP Property Management Limited (the Company) for the year ended 31 October 2019. The Company is part of the BMO Global Asset Management (BMO GAM) business within the BMO Financial Group.

### PRINCIPAL ACTIVITY

The principal activities of the Company are the provision of property asset management and investment advisory services for clients within the BMO Real Estate Partners LLP Group (BMO REP Group). The Company has a branch located in Paris, France (the Branch).

### BUSINESS AND FINANCIAL REVIEW

#### Results and dividends

The financial statements show a profit after tax of £3,664,000 for the year ended 31 October 2019 (2018: £2,337,000).

There were no interim dividends paid during the year (2018: £nil). The Directors do not recommend the payment of a final dividend (2018: £nil).

#### Key performance indicators

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000	Percentage increase/ (decrease) %
Turnover	18,284	17,692	3%
Administrative expenses	(13,684)	(14,603)	(6%)
Profit on ordinary activities after taxation	3,664	2,337	57%

The key performance indicators ("KPI's") of the Company's economic output are Turnover growth, maintaining or decreasing levels of Administrative expenses and Profit on ordinary activities after taxation.

These are discussed below.

#### Trading performance and development of the business

The Company's turnover for the year ended 31 October 2019 was £18,284,000 (2018: £17,692,000).

Management fees earned during the year have decreased marginally in the year to £14,761,000 (2018: £15,132,000), having been impacted by property disposals and falls in property valuations.

Property transaction fees earned have increased in the year to £2,104,000 (2018: £1,281,000) following increased operating activities in the Branch.

Administrative expenses have decreased in the year to £13,684,000 (2018: £14,603,000). The decrease is largely due to lower BMO REP LLP Group pooled UK administrative expenses and the respective share of these costs payable by the Company under these UK transfer pricing arrangements, whereby the ultimate costs borne by BMO Real Estate Partners LLP, BMO REP Asset Management plc and the Company are based on their respective proportion of revenues earned.

# **BMO REP PROPERTY MANAGEMENT LIMITED**

## **STRATEGIC REPORT (continued)**

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Directors manage the risks as part of the overall risk management within the BMO Asset Management (Holdings) plc Group ("BMO AM Group"), a parent undertaking. Members of the BMO Global Asset Management EMEA Regional Committee are responsible for identifying and evaluating key risks facing their areas of the business and procedures to control these risks, where possible, are reviewed and agreed. The principal risks and uncertainties facing the Company are broadly grouped as follows:

#### *COVID-19 pandemic*

In recent months there has been a rise and rapid expansion of the coronavirus (COVID-19) pandemic outbreak across many continents, with many countries, including the United Kingdom (UK) and France, suspending some business operations and imposing travel restrictions and quarantine measures. These measures and policies have significantly disrupted, and are expected to continue to disrupt, the activities of many entities and the wider global economy. As the pandemic continues, it is challenging at this juncture to predict the full extent and duration of its business and economic impact.

This is a rapidly changing scenario, but the Company, as part of the broader BMO GAM business within the BMO Financial Group, is taking every precaution it can to safeguard employees, continue serving customers and keep operations running effectively. Key actions taken so far include:

- As part of business continuity plans for the BMO Financial Group, a COVID-19 Steering Committee is in place and running the recovery strategy for BMO from Canada. The Chief Operating Officer of Wealth Management is a member of that Committee and provides direct link to the BMO GAM business;
- The BMO GAM business have formed an Emergency Response Team (ERT), comprised of the Heads of key business functions, co-ordinating actions to address the evolving situation;
- The BMO AM Group have implemented Group-wide working from home options for all roles that can be performed remotely;
- The BMO AM Group has engaged with their key third-party outsource service providers, seeking to ensure maintenance of normal operations and service levels; and
- BMO GAM EMEA and BMO Financial Group are issuing regular communications to staff.

The Directors consider that as the impact of COVID-19 has arisen since the reporting date, there is no impact on the reported Statement of Financial Position of the Company as at the reporting date. However, it is inevitable that current events will have a direct or indirect impact on the operations, financial position and results of the Company for the year to 31 October 2020 and potentially beyond that date. While the biggest impact is expected to be reduced revenues as a result of the market impact on property values, it is not possible to estimate the overall future financial impact of COVID-19 on the Company given the unpredictable nature of the outbreak and the inherent uncertainties.

#### *Turnover risk*

The majority of turnover for the Company is from asset management fees receivable from property asset management contracts.

As a property fund manager, the Company is responsible for managing assets in accordance with the mandates specified by its clients. The assets managed by the Company are subject to varying degrees of financial risks (market, credit and liquidity). While these risks could result in financial loss or gain through a change in asset value, these risks and rewards are fully borne by, or fall to the benefit of, the Company's clients. However, as the majority of the Company's asset management fees are quantified as a percentage of assets under management, the Company's revenues are impacted by movements in client assets which are caused by exposure to financial risks. As a result of the direct link between revenues and the value of client assets, the Company's interests are aligned to those of its clients.

A key risk to the business is that of poor investment performance, which could lead to the subsequent loss of client mandates. A key role of the Board is to monitor the performance achieved by BMO REP LLP Group property investment professionals. Where it is necessary, actions are taken to change investment process or personnel with a view to attaining improved performance.

# **BMO REP PROPERTY MANAGEMENT LIMITED**

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## **STRATEGIC REPORT (continued)**

### **PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

#### *Financial risk (cashflow risk)*

The BMO AM Group adopts a low risk approach to treasury management and financial risks in relation to shareholder equity, seeking to manage and preserve its capital. The BMO AM Group's treasury function ensures that sufficient cash is retained by the Company in respect of short-term working capital.

#### *Currency risk*

The Directors consider the only significant direct market risk arises in relation to currency risk. Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's objective is to minimise the impact of exchange rate movements by repatriation of excess funds to sterling.

#### *Credit risk*

As a property asset management business which largely derives revenues based on a percentage of client assets under management, the Company's exposure to client default is considered to be relatively low.

The quantum of accrued income and trade debtors at each reporting date is shown in note 12.

There is low inherent risk of non-collection of management fees from clients as the Company's revenues are generally funded from the assets which are managed on behalf of clients.

The BMO AM Group's treasury policy limits the exposure to any one counterparty (in respect of cash and cash equivalents), recognising that each counterparty has been approved by the BMO GAM Counterparty Credit Committee.

#### *Liquidity risk*

The treasury policy set by the BMO AM Group only allows financial assets attributable to equity holders to be invested in low risk deposits or money market instruments where the risk of capital loss is low.

The overall cash position is monitored by the treasury team within the BMO AM Group as a whole and each individual company within the BMO AM Group draws on the available cash balance to meet its working capital requirements.

#### *Uncertain economic outlook*

The UK and global macroeconomic outlook remains uncertain, particularly recognising the current COVID-19 pandemic referred to above. Client investment preferences, and the BMO AM Group's AUM and revenue, may be impacted by underlying economic and market conditions. Adverse market conditions in one or more asset classes or changes in economic factors may lead to a reduction in AUM and/or revenue. In addition, actual or perceived changes in market or economic outlook may lead clients to alter their allocations to particular products or asset classes. These changes include the UK's departure from the European Union (EU).

The BMO AM Group has implemented all necessary arrangements to ensure that its asset management operations can continue doing business effectively in Europe following the expiry of transition arrangements agreed between the UK and EU (currently scheduled for 31 December 2020). However, uncertainties arising from the negotiations between the UK and the EU needed to agree the terms of their future relationship could still have a significant impact on underlying economic and market conditions for European asset classes.

The BMO AM Group continues to closely monitor developments around the departure of the UK from the EU so as to ensure that any adverse impact is appropriately mitigated as far as possible in the management of European asset classes

## **BMO REP PROPERTY MANAGEMENT LIMITED**

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### **STRATEGIC REPORT (continued)**

#### *Business continuity and information technology*

The Company's success is dependent on access to the BMO AM Group's robust IT infrastructure and appropriate IT systems. The BMO AM Group is exposed to the risk that its infrastructure and systems are unable to meet the demands of clients, or regulatory and/or technology change.

The BMO AM Group has a short- and medium-term IT plan with clear objectives to meet mandatory change requirements, deliver further integration of systems and enhance the agility of the BMO AM Group. The BMO AM Group maintains and periodically tests its business continuity arrangements.

#### *Potential cyberattacks*

The BMO AM Group is exposed to potential cyberattacks, and a failure to prevent or defend against such attacks could have a material adverse effect on operations, resulting in the loss of client data or other sensitive information, thereby potentially impacting the BMO AM Group financial results or its reputation.

The Company relies on the effectiveness of the BMO AM Group's internal policies and associated procedures, infrastructure and capabilities to protect the confidentiality, integrity and availability of information held on its computer systems, networks and mobile devices. In addition, the BMO AM Group holds an ISO 27001 security accreditation.

BY ORDER OF THE BOARD



Richard Kirby  
Director  
Date: 23 October 2020

# **BMO REP PROPERTY MANAGEMENT LIMITED**

## **REPORT OF THE DIRECTORS**

The Directors present their Annual Report and audited Financial Statements for the year ended 31 October 2019.

### **RESULTS AND BUSINESS REVIEW**

The Company's results for the year ended 31 October 2019 are shown in the Income Statement on page 11. The Strategic Report for the same period is set out on pages 3 to 6.

### **DIVIDENDS**

There were no interim dividends paid during the year (2018: £nil). The Directors do not recommend the payment of a final dividend (2018: £nil).

### **DIRECTORS AND THEIR INTERESTS**

The Directors who served during the year were as follows:

N Criticos (resigned 17 May 2019)  
S Bennett (appointed 15 May 2019)  
R Kirby  
D Sloper

D Sloper resigned as Director on 16 January 2020 and N O'Mahony was appointed as Director on 3 March 2020.

No other individual Director has any beneficial interest in the share capital of the Company.

### **DIRECTORS' AND OFFICERS' LIABILITY**

Bank of Montreal maintains insurance cover in respect of Directors' and Officers' liability.

### **FUTURE DEVELOPMENTS**

The Company will continue to provide property asset management and investment advisory services to its clients.

### **ADEQUACY OF THE INFORMATION PROVIDED TO THE AUDITOR**

The Directors who held office at the date of approving this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **AUDITOR**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

BY ORDER OF THE BOARD



W. T. Clarke  
Company Secretary  
Date: 23 October 2020

## **BMO REP PROPERTY MANAGEMENT LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE REPORT OF THE DIRECTORS AND THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the income statement of the Company for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to a fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **BMO REP PROPERTY MANAGEMENT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMO REP PROPERTY MANAGEMENT LIMITED**

#### **Opinion**

We have audited the financial statements of BMO REP Property Management Limited ("the company") for the year ended 31 October 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **BMO REP PROPERTY MANAGEMENT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMO REP PROPERTY MANAGEMENT LIMITED (continued)**

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

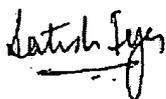
#### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Satish Iyer (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square, Canary Wharf, London E14 5GL  
Date: 23.10.2020

## BMO REP PROPERTY MANAGEMENT LIMITED

### INCOME STATEMENT

For the year ended 31 October 2019

	Notes	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Turnover	3	18,284	17,692
Cost of sales		(30)	(160)
<b>Gross profit</b>		<b>18,254</b>	<b>17,532</b>
Administrative expenses		(13,684)	(14,603)
<b>Operating profit</b>	4	<b>4,570</b>	<b>2,929</b>
Loss on disposal of fixed assets		(2)	–
Interest and similar charges payable	5	(6)	(1)
<b>Profit on ordinary activities before taxation</b>		<b>4,562</b>	<b>2,928</b>
Taxation on profit on ordinary activities	9	(898)	(591)
<b>Profit on ordinary activities after taxation</b>		<b>3,664</b>	<b>2,337</b>

All amounts relate to continuing operations.

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2019

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Profit on ordinary activities after taxation	3,664	2,337
<b>Other comprehensive expense</b>		
<b>Items which may be reclassified subsequently to profit or loss:</b>		
Foreign exchange movements on translation of foreign operations	(9)	(20)
<b>Total comprehensive income for the financial year attributable to equity holders</b>	<b>3,655</b>	<b>2,317</b>

The notes on pages 14 to 23 form an integral part of these financial statements.

# BMO REP PROPERTY MANAGEMENT LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 31 October 2019

(Registered Number 08198483)

	Notes	As at 31 October 2019 £'000	As at 31 October 2018 £'000
<b>Fixed Assets</b>			
Tangible fixed assets	11	53	80
<b>Current Assets</b>			
Debtors			
- due within one year	12	5,910	6,216
- due after one year	12	9	5
Cash at bank and in hand		4,427	3,327
		<u>10,346</u>	<u>9,548</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(4,176)</u>	<u>(7,060)</u>
<b>Net current assets</b>		<u>6,170</u>	<u>2,488</u>
<b>Net assets</b>		<u>6,223</u>	<u>2,568</u>
<b>Capital and reserves</b>			
Called up share capital - £1	14	-	-
Profit and loss account		6,252	2,588
Foreign currency translation reserve		(29)	(20)
<b>Total shareholder's funds</b>		<u>6,223</u>	<u>2,568</u>

The financial statements were approved by the Board of Directors and authorised for issue. They were signed on its behalf by:



Richard Kirby  
Director  
Date: 23 October 2020

The notes on pages 14 to 23 form an integral part of these financial statements.

## BMO REP PROPERTY MANAGEMENT LIMITED

### STATEMENT OF CHANGES IN EQUITY

As at year ended 31 October 2019

	Called up share capital £'000	Profit and loss account £'000	Foreign currency translation reserve £'000	Total shareholder's funds £'000
As at 1 November 2017	-	251	-	251
Profit on ordinary activities after taxation	-	2,337	-	2,337
Other comprehensive expense	-	-	(20)	(20)
As at 31 October 2017	-	2,588	(20)	2,568
Profit on ordinary activities after taxation	-	3,664	-	3,664
Other comprehensive expense	-	-	(9)	(9)
<b>As at 31 October 2019</b>	-	<b>6,252</b>	<b>(29)</b>	<b>6,223</b>

Movements in the Profit and Loss account comprise net profits and losses recognised through the Income Statement and dividends paid during the year.

Movements in the Foreign currency translation reserve comprise the assets and liabilities of foreign operations translated into Sterling and recognised through the statement of comprehensive income.

The notes on pages 14 to 23 form an integral part of these financial statements

# **BMO REP PROPERTY MANAGEMENT LIMITED**

FOR THE YEAR ENDED 31 OCTOBER 2019

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **1. ENTITY INFORMATION**

BMO REP Property Management Limited is a private limited company incorporated in England and Wales. The Company's registered office and principal place of business is 5<sup>th</sup> Floor, 7 Seymour Street, London, W1H 7JW, registered no. 08198483.

### **2. ACCOUNTING POLICIES**

The principal accounting policies set out below have been applied consistently for the years ended 31 October 2019 and 31 October 2018.

#### ***Basis of preparation***

The financial statements have been prepared on a going concern basis under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The Company has applied the amendments to FRS 102 issued in December 2017, prior to their mandatory effective date of accounting periods beginning on or after 1 January 2019. The amendments to FRS 102 issued in September 2017 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

The Company's intermediate parent undertaking, BMO Asset Management (Holdings) plc ("BMO AM"), includes the Company in its consolidated financial statements. The consolidated financial statements of BMO AM are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from 6<sup>th</sup> Floor, Quatermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes.
- Key Management Personnel compensation;
- Share Based payment arrangements; and
- Financial instrument disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### ***Accounting estimates, assumptions and judgements***

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date as well as the reported income and expenses for the reporting periods. While estimates are based on management's best knowledge and judgements using information and financial data available to them, the actual outcome may differ from these estimates.

Performance fee recognition – Income generated from performance fees is based on the absolute investment performance of a client's assets, or their relative performance compared to a hurdle or benchmark, over a defined period. Where the performance period is not coterminous with the Company's financial reporting period, the performance fees recognised must be estimated and such estimates are inherently subjective. The level of performance fees recognised is disclosed in note 3.

# **BMO REP PROPERTY MANAGEMENT LIMITED**

FOR THE YEAR ENDED 31 OCTOBER 2019

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2. ACCOUNTING POLICIES (continued)**

#### ***Going concern***

The Company's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 6.

As explained in note 18, 'Events after the reporting period', COVID-19 will have an impact on the operations and financial results of the Company for the year to 31 October 2020 and potentially beyond. However, due to the inherent uncertainties it is not possible to quantify the impact of these on the Company. As part of the Directors assessment of going concern they have considered, as best they can, the potential impacts of COVID-19 on the Company.

While there can be no absolute certainty, having considered the current results of the Company, the potential impact of COVID-19 on the Company's results and operations and the current liquidity and net assets of the Company, the Directors are satisfied that it remains a reasonable assumption that the Company has adequate resources to continue in business for a period of at least 12 months from the date of approval of the Financial Statements.

#### ***Summary of significant accounting policies***

The following accounting policies have been applied consistently throughout the reporting period in dealing with items which are considered material in relation to the Company's financial statements.

#### ***Turnover***

Turnover comprises income from investment management services.

Asset management fees, property transaction fees and other revenue generated by the Company's investment management activities are recognised in the income statement over the period for which these investment management services are provided.

Where payments are received from clients prior to satisfaction of performance obligations, they are recognised as deferred income and the balances considered contract liabilities.

#### ***Dividend recognition***

Dividend receivables and liabilities are only recognised when the dividends have been declared and approved.

#### ***Interest and similar charges payable***

Interest payable comprises bank interest and charges payable and other interest and is recognised in the income statement on an effective interest rate basis.

#### ***Foreign currencies***

The Company's Financial Statements are presented in thousands of pounds sterling, unless otherwise stated, the Company's functional and presentational currency. The Company also has a Paris branch whose functional currency is in euros.

##### ***(i) Foreign currency translation***

Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate ruling at the reporting date, and any exchange differences arising are taken to the Income Statement.

# **BMO REP PROPERTY MANAGEMENT LIMITED**

FOR THE YEAR ENDED 31 OCTOBER 2019

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2. ACCOUNTING POLICIES (continued)**

#### ***Foreign currencies (continued)***

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of transaction and are not subsequently restated. Non-monetary assets and liabilities stated at fair value in a foreign currency are translated at the exchange rate ruling at the date the fair value was determined. When fair value movements in assets and liabilities are reflected in the Income Statement, the corresponding exchange movements are also recognised in the Income Statement. Similarly, when fair value movements in assets and liabilities are reflected directly in equity, the corresponding exchange movements are also recognised directly in equity.

#### ***(ii) Foreign operations***

The assets and liabilities of, or relating to, foreign operations are translated into Sterling at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Sterling at foreign exchange rates approximating to the rates ruling at the dates of the transactions. Foreign exchange differences arising on translation of foreign operations into Sterling are recognised directly in the Company's foreign currency translation reserve, which is a separate component of equity, and reported in the Statement of Comprehensive Income. When foreign operations are disposed of, these exchange differences are reclassified to profit and loss in the period in which the disposal takes place.

#### ***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment in value. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into operation.

Expenditure on tangible fixed assets is capitalised on initial recognition. Subsequent expenditure is only capitalised when it is probable that there will be future economic benefits associated with the expenditure which can be measured reliably. All other expenditure is recognised in the income statement as an expense as incurred.

Tangible fixed assets are depreciated, using the straight-line method to write off the cost of assets over their estimated useful lives, as follows:

Computer equipment	- over 3 years
Office equipment and furniture	- over 3-5 years

Depreciation is recognised as an expense in the income statement.

The carrying value of assets and their useful lives are reviewed at each reporting date. If an indication of impairment exists, the assets are written down to their recoverable amount and the impairment is charged to the income statement in the year in which it arises.

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively and an item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its continued use. Any gain or loss arising on de-recognition of the asset (calculated as the fair value less costs to sell) is included in the income statement in the reporting period the asset is derecognised.

#### ***Cash at bank***

Cash at bank comprise cash balances held with banks.

#### ***Current tax***

The income tax expense or income disclosed on the face of the income statement represents the aggregate of current tax and the movement in deferred tax.

# **BMO REP PROPERTY MANAGEMENT LIMITED**

FOR THE YEAR ENDED 31 OCTOBER 2019

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2. ACCOUNTING POLICIES (continued)**

#### ***Current tax (continued)***

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustment to tax payable in respect of previous years.

#### ***Deferred tax***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

#### ***Related party disclosure***

FRS 102, Section 33 - Related Party Disclosures requires disclosure of the details of material transactions between the reporting entity and related parties. The Company has taken advantage of the exemptions available not to disclose transactions between BMO AM Group companies which eliminate on consolidation. As members of the BMO Real Estate Partners LLP Group meet the 100% ownership criteria after 7 March 2017, all transactions between the BMO Real Estate Partners LLP Group and entities in the remainder of the BMO AM Group and the wider BMO Financial Group are no longer considered to be disclosable related party transactions.

#### ***Financial instruments***

When financial instruments are initially recognised, they are measured at fair value plus directly attributable transaction costs.

#### ***Trade and other debtors / creditors***

Trade and other debtors are recognised initially at transaction price less attributable transaction costs, these are subsequently measured at cost less any impairment losses.

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

#### ***Share-based payments***

The Company participates in a BMO Omnibus Restricted Share Unit Plan (BMO RSU) awards share scheme arrangement for employees (in exchange for services rendered) which is required to be accounted for as a share-based payment.

The fair value is measured at market price at the date the award is granted and the expense is spread over the period during which the employees become unconditionally entitled to exercise the awards, known as the vesting period. The cumulative expense recognised in the Income Statement over the vesting period is equal to the estimated fair value of the award multiplied by the number of awards expected to vest.

Non-market related conditions are performance criteria not directly linked to BMO's share price, such as continued employment. The probability of meeting non-market conditions is incorporated into the expense charge via the estimate of the number of awards expected to vest. The total cumulative expense is reassessed at each reporting date and is ultimately adjusted to reflect the actual number of awards which vest. Therefore, if no awards vest, no cumulative expense charge is ultimately recognised.

# BMO REP PROPERTY MANAGEMENT LIMITED

FOR THE YEAR ENDED 31 OCTOBER 2019

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

#### Share-based payments (continued)

All BMO RSU awards are cash-settled and are charged to the Income Statement with a corresponding credit to liabilities. The estimated fair value of cash-settled awards is re-measured at each reporting date until the payments are ultimately settled.

Awards to employees treated as good leavers continue to be settled on the vesting date, although the remaining expense of the awards is charged to the Income Statement immediately. In addition, the vesting period for any employee who becomes eligible to retire is accelerated.

### 3. TURNOVER

Turnover earned in each year is as follows:

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Management fees	14,761	15,132
Management fees – performance fees	182	-
Commission and rebates payable	(182)	(114)
Property transaction fees	2,104	1,281
Other revenue	1,419	1,393
	<u>18,284</u>	<u>17,692</u>

An analysis of the Company's turnover by geographical market is set out below:

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
United Kingdom	14,624	15,104
European countries	3,660	2,588
	<u>18,284</u>	<u>17,692</u>

### 4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Depreciation of tangible fixed assets (Note 11)	38	29
Loss/(gain) on foreign exchange	55	(43)
Intra-group recharges	<u>11,407</u>	<u>12,462</u>

Amounts payable to the auditor for other services are disclosed in the accounts of a parent undertaking, BMO AM.

The audit fees for the year of £12,000 (2018: £12,000) were paid on the Company's behalf by BMO Real Estate Partners LLP, a parent undertaking.

Intra-group recharges are payable to a parent undertaking, BMO Real Estate Partners LLP.

The UK transfer pricing policy, whereby the ultimate costs borne by BMO Real Estate Partners LLP, BMO REP Asset Management plc and the Company, are based on their respective proportion of revenues earned.

# BMO REP PROPERTY MANAGEMENT LIMITED

FOR THE YEAR ENDED 31 OCTOBER 2019

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. INTEREST AND SIMILAR CHARGES PAYABLE

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Bank interest and charges	3	1
Other interest	3	-
	<u>6</u>	<u>1</u>

### 6. STAFF NUMBERS AND COSTS

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
<b>Staff costs include the following:</b>		
Wages and salaries	654	587
Social security costs	152	187
Pension costs	148	127
Other employee benefits	309	336
	<u>1,263</u>	<u>1,237</u>

The average number of staff employed by the Company during the year was 9 (2018: 7).

### 7. DIRECTORS' REMUNERATION

No Director received any remuneration in respect of their services to the Company during the year ended 31 October 2019 (2018: £nil), as they are remunerated by a fellow subsidiary undertaking, BMO Asset Management (Services) Limited.

### 8. SHARE-BASED PAYMENTS

The Company utilised share-based payment awards as part of its total employee compensation arrangements and participates in the BMO Financial Group share-based payment plan. Further details of awards are disclosed in the Group Annual Report and Financial Statements of BMO Asset Management (Holdings) plc, an intermediate parent company.

#### BMO Omnibus Restricted Share Unit Plan (BMO RSU)

The BMO RSU plan is a mid-term incentive plan designed to reward recipients for performance over the medium-term. This is now the main medium-term incentive scheme for the BMO Financial Group.

The BMO RSU awards are only subject to a time-vesting period, usually three years. The value of the awards will vary according to the BMO share price and the relevant foreign exchange rate. BMO RSUs also earn dividend equivalents that are credited to the employee's account as additional BMO RSUs. Once the awards vest, the value of the notional shares is paid to the employees in cash.

The BMO RSUs are all cash-settled in local currency.

The cumulative expense for each award is adjusted during, and at the end of, the vesting period, after allowing for actual forfeitures.

**BMO REP PROPERTY MANAGEMENT LIMITED**

FOR THE YEAR ENDED 31 OCTOBER 2019

**NOTES TO THE FINANCIAL STATEMENTS (continued)****9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
<b>Current Taxation</b>		
UK Corporation tax on profit for the year	903	591
Adjustments in respect of previous years	(1)	3
Total current tax charge for the year	<u>902</u>	<u>594</u>
Deferred tax credit	(4)	(3)
<b>Total tax charge for the year</b>	<u>898</u>	<u>591</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK 19.00% in 2019. The differences are explained below.

Profit on ordinary activities before tax	<u>4,562</u>	<u>2,928</u>
Profit on ordinary activities multiplied by the UK corporation tax of 19.00% (2018: 19.00%)	867	556
Effect of:		
Disallowed expenses	32	32
Adjustments in respect of previous years	(1)	3
<b>Total tax charge for the year</b>	<u>898</u>	<u>591</u>

**DEFERRED TAXATION**

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Balance at 1 November	5	2
Credited during the year	<u>4</u>	<u>3</u>
<b>Balance at 31 October (note 12)</b>	<u>9</u>	<u>5</u>
Depreciation in advance of capital allowances	<u>9</u>	<u>5</u>

The Directors believe it is appropriate to recognise a deferred tax asset because it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

**Factors affecting future tax charges**

The current corporation tax rate of 19.00% became effective from 1 April 2017, resulting in a statutory UK corporation tax rate of 19.00% for the year ended 31 October 2019 for the Company.

A future UK Corporation Tax rate reduction to 17.00% from 1 April 2020 was substantively enacted on 6 September 2016. The reduction in the UK Corporation Tax rate would have led to a Company statutory UK Corporation Tax rate of 17.83% for 2020 and 17.00% from 2021 onwards.

However, the Chancellor of the Exchequer's Budget on 11 March 2020 announced that the UK Corporation Tax rate would remain at 19.00% from 1 April 2020 rather than reduce to 17.00%, and this change was substantively enacted on 17 March 2020. The statutory UK Corporation Tax rate for the Company will therefore remain at 19.00% from 2020 onwards. It is estimated that the effect of this change to the future Corporation Tax rate will lead to an increase of £1,000 in the value of the Company's deferred tax asset at 31 October 2019.

**BMO REP PROPERTY MANAGEMENT LIMITED**

FOR THE YEAR ENDED 31 OCTOBER 2019

**NOTES TO THE FINANCIAL STATEMENTS (continued)****10. DIVIDENDS**

There have been no dividends declared or paid during the year (2018: £nil)

The Directors do not recommend a final dividend for the year ended 31 October 2019 (2018: £nil).

**11. TANGIBLE FIXED ASSETS**

	Office equipment and furniture £'000	Computer equipment £'000	Total £'000
<b>Cost:</b>			
At 1 November 2018	100	42	142
Additions	8	7	15
Disposals	-	(5)	(5)
Foreign exchange revaluations	(3)	(1)	(4)
<b>At 31 October 2019</b>	<b>105</b>	<b>43</b>	<b>148</b>
<b>Depreciation:</b>			
At 1 November 2018	(52)	(10)	(62)
Depreciation charge for the year	(24)	(14)	(38)
Disposals	-	3	3
Foreign exchange revaluations	1	1	2
<b>At 31 October 2019</b>	<b>(75)</b>	<b>(20)</b>	<b>(95)</b>
<b>Net book value:</b>			
<b>At 31 October 2019</b>	<b>30</b>	<b>23</b>	<b>53</b>
At 31 October 2018	48	32	80

**12. DEBTORS: Amounts falling due within one year**

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Amounts due from fellow subsidiary undertakings	3,515	4,625
Trade debtors	34	278
Accrued income	2,145	1,152
Prepayments	59	58
Other debtors	157	103
	<b>5,910</b>	<b>6,216</b>

**DEBTORS: Amounts falling due after more than one year**

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Deferred tax (note 9)	9	5

# BMO REP PROPERTY MANAGEMENT LIMITED

FOR THE YEAR ENDED 31 OCTOBER 2019

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. CREDITORS: Amounts falling due within one year

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Amounts due to parent undertakings	1,377	5,321
Amounts due to a fellow subsidiary undertaking	8	-
Corporation tax payable	1,491	354
VAT payable	39	44
Trade creditors	16	14
Other creditors	227	395
Accruals	827	748
Deferred income	191	184
	<u>4,176</u>	<u>7,060</u>

### 14. SHARE CAPITAL

	As at 31 October 2019 £	As at 31 October 2018 £
Allotted, called up and fully paid: 1 ordinary shares of £1 each	<u>1</u>	<u>1</u>

The Company has one class of ordinary shares which carry no right to fixed income. 1 ordinary share is held by BMO REP Asset Management plc, the immediate parent undertaking.

The ordinary share has full rights in the Company with respect to voting, dividends and distributions.

### 15. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company carried out transactions with related parties, as defined by FRS 102 Section 33 *Related Party Disclosures*. The Company has taken advantage of the FRS 102 exemption to not disclose related party transactions between wholly-owned subsidiaries of BMO Financial Group.

During the current or prior year, the Company entered into the following transactions with group subsidiaries which were not wholly-owned for part of the year:

#### **BMO Real Estate Partners LLP Group (BMO REP Group)**

The Company has taken advantage of the exemptions available not to disclose transactions between BMO Asset Management (Holdings) plc Group and the wider BMO Financial Group companies which eliminate on consolidation. Both these Groups produce consolidated financial statements.

### 16. CONTINGENT LIABILITIES

In the normal course of its business, the Company may be subject to matters of litigation or dispute. While there can be no assurances, at this time the Directors believe, based on the information currently available to them, that it is not probable that the ultimate outcome of any of these matters will have a material adverse effect on the financial condition of the Company.

## **BMO REP PROPERTY MANAGEMENT LIMITED**

FOR THE YEAR ENDED 31 OCTOBER 2019

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

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#### **17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's immediate parent undertaking is BMO Real Estate Partners LLP.

The smallest group of which the Company is a member and for which Group Financial Statements are prepared is BMO Asset Management (Holdings) plc. Copies of the BMO Asset Management (Holdings) plc Annual Report and Financial Statements can be obtained from its registered office at 6<sup>th</sup> Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

The Company's ultimate parent undertaking and controlling party is Bank of Montreal, a company incorporated in Canada. The consolidated financial statements of Bank of Montreal are available from Corporate Communications Department, BMO Financial Group, 28th Floor, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.

#### **18. EVENTS AFTER THE REPORTING PERIOD**

The risks included in the Strategic Report on page 4 highlight the rapid expansion of COVID-19 across the globe. The Directors have assessed that as the impact of COVID-19 has arisen since 31 October 2019, there is no impact on the reported Statement of Financial Position of the Company as at the reporting date. However, it is inevitable that current events will have a direct or indirect impact on the operations, financial position and results of the Company for the year to 31 October 2020 and potentially beyond that date. While the Company does not currently expect there to be any material reduced revenues arising from these global market developments, it is not possible to estimate the overall future financial impact of COVID-19 on the Company given the unpredictable nature of the outbreak and the inherent uncertainties. This uncertainty is also reflected in the going concern assessment on page 15, although it does not impact the going concern basis of preparing these Financial Statements.